THE PERSONAL INJURY PROTECTION PLAN
Meeting Its Goals

HIGHLIGHTS OF SGI'S PRESENTATION TO THE PIPP REVIEW COMMITTEE

The Personal Injury Protection Plan (PIPP) was introduced in Saskatchewan in 1995 to meet three major goals:

- improve injury benefits;
- enhance fairness; and
- stabilize injury claim costs.

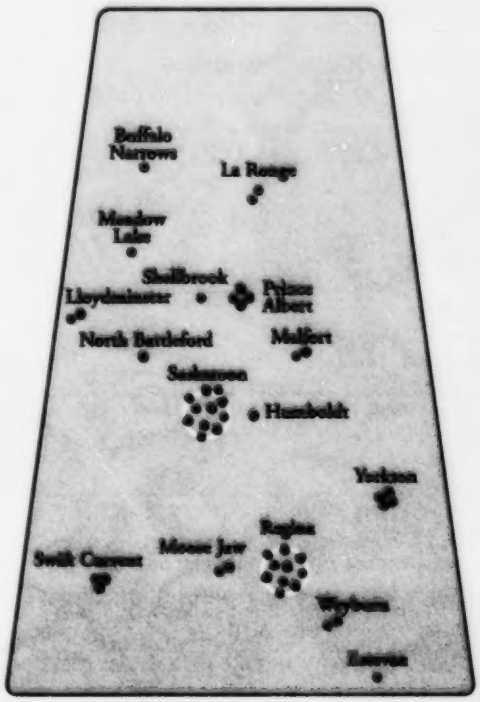
Over the past five years, PIPP has accomplished each of these goals.

Improved benefits are now provided to all Saskatchewan residents injured in motor vehicle crashes, regardless of fault. (See table on next page.)

PIPP has also enhanced fairness in the distribution of those injury benefits. PIPP is ensuring adequate benefits are being provided to all people injured in vehicle accidents, and especially those seriously injured.

And, PIPP has stabilized injury claim costs.

But no system is perfect. SGI is putting forward 44 recommendations for improvements to PIPP – to make a good program even better.



The major emphasis of PIPP is rehabilitation. The focus is on restoring health-related quality of life as fully as possible, and as quickly as possible. This is in direct contrast to the tort system.

Since the implementation of PIPP, SGI has paid a total of $212.7 million for the rehabilitation and medical expenses of people injured in auto crashes. Of that, more than $54 million has been spent to help pay for a variety of rehabilitation initiatives and health care funding around the province.

There are now 23 clinics specializing in the treatment of soft tissue injuries in communities throughout Saskatchewan. There are tertiary centres in Regina and Saskatoon. And, there are 25 community-based programs to deliver services and support to brain-injured persons – services that did not exist prior to PIPP's introduction.

● Secondary ● Tertiary ● ABI (Acquired Brain Injury)

SGI

IMPROVED INJURY BENEFITS

The implementation of PIPP brought about a dramatic shift in benefits. Today – every Saskatchewan resident injured in an auto crash has access to adequate benefits, regardless of fault. In fact, PIPP provides among the best auto injury benefits in Canada.

Comparison of benefits post- and pre-PIPP

PIPP – 2000	Tort – 1994
Rehabilitation: • $541,824 maximum for medical and rehabilitation expenses • includes $596/week maximum for personal and home care expenses, and $433/week maximum for child care	• $10,000 maximum
Income Replacement: • 90% of net income, to a maximum gross salary of $56,855/year • students receive a maximum of $14,087 for each school year missed; if disability continues past completion of school, income replacement commences • includes full-time, self-employed, part-time, temporary workers, seniors, unemployed, students and homemakers	• maximum $200/week for totally or permanently disabled people • maximum $150/week for two years for homemakers • maximum $75/week for those who do not qualify for either of the above benefits, if confined to bed, hospital or wheelchair
Death Benefits: • 50% of income replacement benefit of deceased person is paid to spouse for life, plus 5% for each dependent child until age 21 • $10,836 paid to the estate of a deceased person with no spouse or dependants • $32,509 allowance for education and training to dependent spouses • $5,419 funeral allowance	• $10,000 to the spouse or primary dependant • plus $1,500 per dependent child • $2,500 to the estate of a deceased person with no spouse or dependants
Permanent Injury: • maximum $135,456	• maximum $10,000
Indexing: • benefits indexed to Consumer Price Index	• benefits not indexed
Liability: • injured persons not at fault can sue for economic losses in excess of benefits provided • $200,000 liability coverage paid under plate insurance	• injured persons not at fault can sue for economic losses and pain and suffering in excess of benefits provided • $200,000 liability coverage paid under plate insurance

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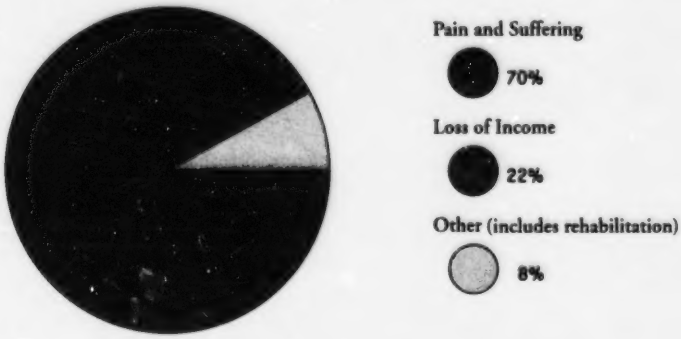
ENHANCED FAIRNESS

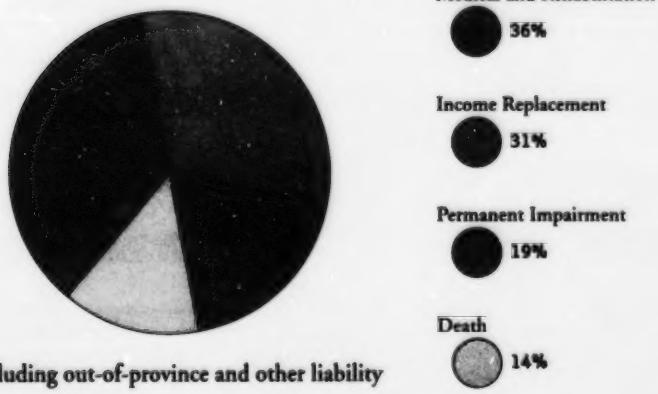
Prior to 1995, people with similar injuries received quite different compensation depending on who was responsible for the accident – despite the fact that all vehicle owners contributed about equally to the funding of the compensation plan.

About two-thirds of those who were injured could find someone to sue for compensation and those two-thirds received over 90 per cent of the injury dollars. The remaining one-third who had no one to sue for compensation received less than 10 per cent.

Tort (1992)



PIPP (1999) *



*excluding out-of-province and other liability

Under the old tort system, only eight per cent of benefit money paid was spent on rehabilitation, with 22 per cent spent on income replacement. The remaining 70 per cent was spent on pain and suffering.

Under PIPP, spending has been reallocated. In 1999, 36 per cent of benefit money paid was spent on medical and rehabilitation benefits and 31 per cent was spent on income replacement.

In short, the 70 per cent that was spent on pain and suffering awards under the old system has been redirected to income replacement and medical and rehabilitation coverage for injured persons.

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COMPARISON OF INJURY BENEFITS ACROSS CANADA
1998*

Saskatchewan [3] (1998)	Saskatchewan [3] (proposed)**	NB/Nfld [2]/NS/PEI	Quebec [4, 6]
COMPULSORY MINIMUM THIRD-PARTY LIABILITY			
$200,000 [5b]	$200,000 [5b]	$200,000 (NB, Nfld [5a], NS/PEI [5b])	$50,000 [5c]
MEDICAL PAYMENTS			
$526,970/person; includes rehabilitation	unlimited medical and rehabilitation	$25,000/person (NB–$50,000), including rehabilitation, excluding health insurance plans; time limit 4 years	no time or amount limit; includes rehabilitation
FUNERAL EXPENSE BENEFITS			
$5,270	$7,500	$1,000 (NB–$2,500)	$3,650
DISABILITY INCOME BENEFITS			
90% of net wages[†]; maximum income gross $54,893/year; 7-day wait; indexed ([†] net equals gross minus CPP, EI and taxes)	90% of net wages[†]; maximum income gross $56,855/year; 7-day wait; indexed ([†] net equals gross minus CPP, EI and taxes)	104 weeks partial disability; lifetime (PEI – to age 65) if totally disabled; maximum $140/week (NB–$250/wk); 7-day wait; unpaid housekeeper $70/week, maximum 12 weeks (NB–$100/wk, max. 52 weeks)	90% of net wages; maximum income gross $50,000/year; temporary 3 years; permanent lifetime; 7-day wait; indexed
DEATH BENEFITS			
$47,427 minimum or surviving spouse gets weekly benefits of 50% of the deceased's theoretical entitlement had he/she lived, plus 5% for each dependant under 21; if no spouse or dependants, $10,539 paid to estate; educational benefit, $31,618	$48,764 minimum or surviving spouse gets weekly benefits of 50% of the deceased's theoretical entitlement had he/she lived, plus 5% for each dependant over or under 21; if no spouse or dependants, $10,836 paid to estate or $10,636 to each non-dependent legal parent or child to a maximum of $48,764; education benefit, $32,509	death within 2 years; head of household $10,000 (NB–$50,000) plus $1,000 each for all dependants beyond first; spouse $10,000 (NB–$25,000); dependent child $2,000 (NB–$5,000)	death anytime; depends on wage and age; minimum $48,683; maximum $250,000 plus $23,123 to $45,198 to dependants according to age; if no dependants – $18,256 to parents
IMPAIRMENT BENEFITS			
scheduled up to $131,743	scheduled up to $270,912		scheduled up to $137,210
RIGHT TO SUE FOR PAIN AND SUFFERING			
no	no	yes	no
RIGHT TO SUE FOR ECONOMIC LOSS IN EXCESS OF NO-FAULT BENEFITS			
yes [8]	yes [10]	yes	no
ADMINISTRATION			
government (government and private insurers compete for optional and excess coverage)	government (government and private insurers compete for optional and excess coverage)	private insurers	bodily injury – government; property damage – private insurers

Notes:

1) Residents of Alberta, Manitoba and Ontario involved in accidents in Quebec can receive from their own insurer the equivalent to the benefits available to Quebec residents from the Société de l'assurance automobile du Québec. Similar arrangements were implemented June 1, 1998 for accidents involving Alberta "insureds" in Saskatchewan and Manitoba.

2) Accident benefits coverage is compulsory everywhere in Canada except Newfoundland.

3) Own vehicle damage coverage is compulsory in Manitoba and Saskatchewan.

4) Policyholders may purchase coverage for economic loss greater than maximum accident benefits.

5) This amount is available for any one accident. However, if a claim involving both bodily injury and property damage reaches this figure, payment for property damage would be capped at:
   a) $20,000 in British Columbia, Manitoba, New Brunswick, Newfoundland and Yukon; and at
   b) $10,000 elsewhere in Canada; except for
   c) Quebec, where liability limits relate to property claims within Quebec and to personal injury and property damage claims outside Quebec.

COMPARISON OF INJURY BENEFITS ACROSS CANADA
1998*

Saskatchewan [3] (1998)	Saskatchewan [3] (proposed)**	NB/Nfld [2]/NS/PEI	Quebec [4, 6]	Ontario [1, 4]	Manitoba [1, 3, 4, 6]	Alberta [1]	British Columbia
COMPULSORY MINIMUM THIRD-PARTY LIABILITY							
$200,000 [5b]	$200,000 [5b]	$200,000 (NB, Nfld [5a], NS/PEI [5b])	$50,000 [5c]	$200,000 [5b]	$200,000 [5a]	$200,000 [5b]	$200,000 [5a]
MEDICAL PAYMENTS							
$526,970/person; includes rehabilitation	unlimited medical and rehabilitation	$25,000/person (NB – $50,000), including rehabilitation, excluding health insurance plans; time limit 4 years	no time or amount limit; includes rehabilitation	$100,000/person ($1 million if injury "catastrophic"), including rehabilitation, excluding health insurance plans; attendant care $72,000	no time or amount limit; includes rehabilitation	$10,000/person, rehab included, amounts from medical and hospital plans excluded; chiropractors $500/person per occurrence; time limit 2 years	$150,000/person, rehab included, excludes amounts payable under surgical, dental, hospital plan or other insurer
FUNERAL EXPENSE BENEFITS							
$5,270	$7,500	$1,000 (NB – $2,500)	$3,650	$6,000	$3,803	$2,000	$2,500
DISABILITY INCOME BENEFITS							
90% of net wages†; maximum income gross $54,893/year; 7-day wait; indexed († net equals gross minus CPP, EI and taxes)	90% of net wages†; maximum income gross $56,855/year; 7-day wait; indexed († net equals gross minus CPP, EI and taxes)	104 weeks partial disability; lifetime (PEI – to age 65) if totally disabled; maximum $140/week (NB – $250/wk); 7-day wait; unpaid housekeeper $70/week, maximum 12 weeks (NB – $100/wk, max. 52 weeks)	90% of net wages; maximum income gross $50,000/year; temporary 3 years; permanent lifetime; 7-day wait; indexed	80% of net wages up to $400/week, $185/week for those not employed (104 weeks maximum; longer if victim is unable to pursue *any* suitable occupation); 7-day wait for employed people, otherwise 26 weeks	90% of net wages; maximum income gross $58,500/year; 7-day wait; indexed	80% gross wages; maximum $300/week; 104 weeks temporary or total disability; 7-day wait; unpaid housekeeper $100/week, maximum 26 weeks	75% gross wages; maximum $300/week; 104 weeks temporary disability, lifetime total and permanent; 7-day wait; homemaker up to $145/week, maximum 104 weeks
DEATH BENEFITS							
$47,427 minimum or surviving spouse gets weekly benefits of 50% of the deceased's theoretical entitlement had he/she lived, plus 5% for each dependant under 21; if no spouse or dependants, $10,539 paid to estate; educational benefit, $31,618	$48,764 minimum or surviving spouse gets weekly benefits of 50% of the deceased's theoretical entitlement had he/she lived, plus 5% for each dependant over or under 21; if no spouse or dependants, $10,836 paid to estate or $10,836 to each non-dependent legal parent or child to a maximum of $48,764; education benefit, $32,509	death within 2 years; head of household $10,000 (NB – $50,000) plus $1,000 each for all dependants beyond first; spouse $10,000 (NB – $25,000); dependent child $2,000 (NB – $5,000)	death anytime; depends on wage and age; minimum $48,683; maximum $250,000 plus $23,123 to $45,198 to dependants according to age; if no dependants – $18,256 to parents	death within 3 years; $25,000 for spouse; $10,000 for surviving dependant or for loss of dependant	death anytime; depends on wage and age; minimum $43,466; maximum $292,500 plus $20,646 to $38,032 to dependants according to age	death anytime; head of household $10,000 plus $2,000 for each dependant after first and 1% of total principal sum for 104 weeks, no limit; spouse $10,000; dependent child according to age – maximum $3,000	death anytime; head of household $5,000 and $145/week for 104 weeks to first survivor plus $1,000 and $35/week for 104 weeks for each survivor after first, no limit; spouse $2,500; dependent child according to age – maximum $1,500
IMPAIRMENT BENEFITS							
scheduled up to $131,743	scheduled up to $270,912		scheduled up to $137,210		scheduled up to $108,664		
RIGHT TO SUE FOR PAIN AND SUFFERING							
no	no	yes	no	yes, if injury meets verbal threshold; deductible applies [7]	no	yes	yes
RIGHT TO SUE FOR ECONOMIC LOSS IN EXCESS OF NO-FAULT BENEFITS							
yes [8]	yes [10]	yes	no	yes [9]	no	yes	yes
ADMINISTRATION							
government (government and private insurers compete for optional and excess coverage)	government (government and private insurers compete for optional and excess coverage)	private insurers	bodily injury – government; property damage – private insurers	private insurers	government (government and private insurers compete for optional and excess coverage)	private insurers	government (government and private insurers compete for optional and excess coverage)

*This is the most recent information currently available.
**Information supplied by SGI from recommendations.

Notes:

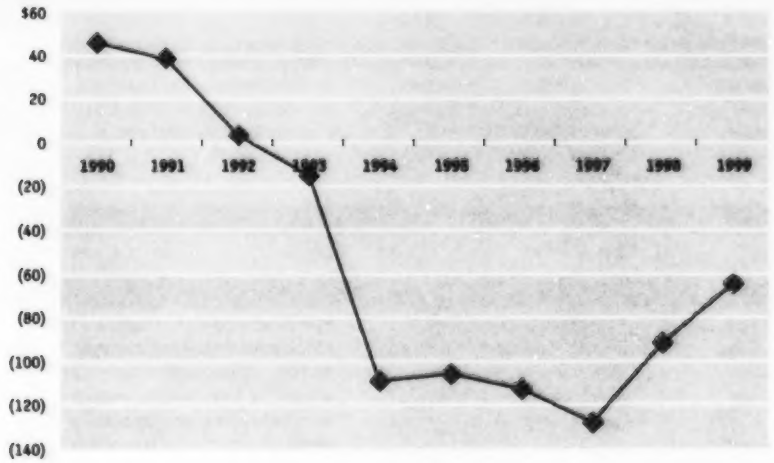
1) Residents of Alberta, Manitoba and Ontario involved in accidents in Quebec can receive from their own insurer the equivalent to the benefits available to Quebec residents from the Société de l'assurance automobile du Québec. Similar arrangements were implemented June 1, 1998 for accidents involving Alberta "insureds" in Saskatchewan and Manitoba.
2) Accident benefits coverage is compulsory everywhere in Canada except Newfoundland.
3) Own vehicle damage coverage is compulsory in Manitoba and Saskatchewan.
4) Policyholders may purchase coverage for economic loss greater than maximum accident benefits.
5) This amount is available for any one accident. However, if a claim involving both bodily injury and property damage reaches this figure, payment for property damage would be capped at:
   a) $20,000 in British Columbia, Manitoba, New Brunswick, Newfoundland and Yukon; and at
   b) $10,000 elsewhere in Canada; except for
   c) Quebec, where liability limits relate to property claims within Quebec and to personal injury and property damage claims outside Quebec.
6) Lawsuits are not permitted with respect to injuries sustained in automobile accidents in Quebec and Manitoba. Victims and their dependants resident in those provinces are compensated by their government for their injuries whether or not the accident occurs in their home province. In Quebec, accident victims who do not reside there are entitled to compensation only to the extent that they are not responsible for the accident unless otherwise agreed between the Société de l'assurance automobile du Québec and authorities of the victims' place of residence; additional compensation may be available from their own insurers. Manitoba legislation contains similar provisions.
7) Lawsuit allowed only if injured person dies or sustains "permanent serious" disfigurement and/or impairment of important physical, mental or psychological function; the court is directed to assess damages, then deduct $15,000 ($7,500 if *Family Law Act* claim).
8) Injured person may sue only with respect to gross income losses that exceed $54,893/year; award is net.
9) Injured person may sue for 80% of net income loss before trial, 100% of gross after trial; also for medical, rehabilitation and related costs when injury is catastrophic.
10) Injured person may sue for actual and potential income loss.

Source: Insurance Bureau of Canada

STABILIZED INJURY CLAIM COSTS

SGI operates the Auto Fund on behalf of the provincial government. Premiums are collected from vehicle owners, and SGI uses that money to pay for injury and vehicle damage claims. The Auto Fund is set up to operate on a break-even basis over time.

Rate Stabilization Reserve Balance
(millions of $)



The Fund began the 1990s with a substantial surplus of $45 million in the Rate Stabilization Reserve, but the surplus steadily eroded in the early 1990s as a result of escalating injury liability (tort) costs – largely due to increasing court awards for pain and suffering.

Over the period 1990 to 1994, the average annual increase in injury costs was 14 per cent on a loss year basis.

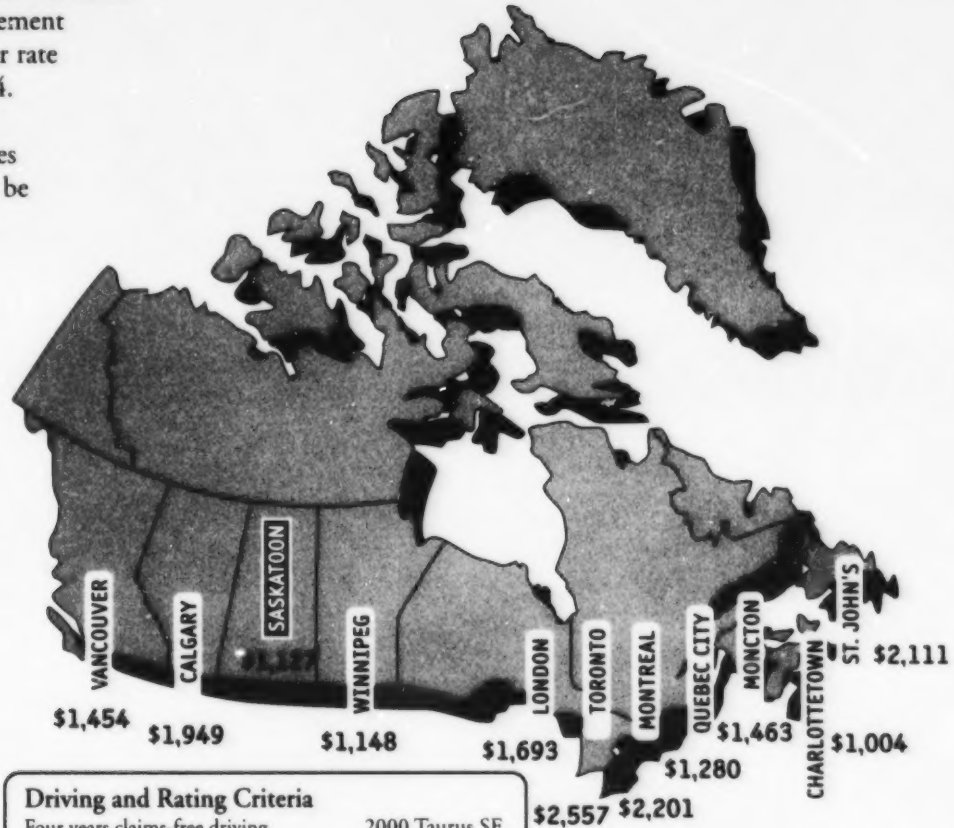
Since PIPP was introduced in 1995, injury claim costs have been brought back under control. Over the period 1995 to 1999, the average yearly increase in injury costs has been five per cent on a loss year basis.

Injury Liability (Tort) Costs
(millions of $)
(by loss year)

PIPP Injury Costs
(millions of $)
(by loss year)

RATE COMPARISON

By bringing injury claim costs under control, PIPP has made it possible to implement only one three-year rate strategy since 1994. Over that period, Saskatchewan's rates have continued to be among the lowest in the country.



Driving and Rating Criteria

Four years claims-free driving
$1,000,000 third-party liability
Deductible – $500 comprehensive
– $250-300 collision

2000 Taurus SE
All-purpose use

Rates at January 2000

Source: Runzheimer

If PIPP had not been introduced in 1995, the average premium for vehicle owners in 2000 would be 38 per cent, or $227, higher per vehicle.

If the tort system were reintroduced and PIPP was repealed in 2001, the average premium for vehicle owners would increase by an estimated $277. In future years, this difference would grow as costs under a tort system increase at a much higher rate than PIPP costs and other expenses.

By 2004, the average premium for vehicle owners would be an estimated $1,230 – 64 per cent higher than under PIPP at $751 per vehicle.

IMPROVING PIPP

SGI has administered the Personal Injury Protection Plan for five years and is of the view that the program is fundamentally sound. The goals of the program have been met, but improvements should be considered.

SGI is putting forward 44 recommendations for improvements to the program. They fall into three broad categories:

- improving customer service;
- addressing under- and over-compensation issues; and,
- enhancing fairness.

Overall, implementing the recommendations would mean an increase of $4.2 million in injury costs annually. This represents 1.1 per cent of total claim costs. The recommendations further the program's original goals and improve benefit levels in key areas to the point where Saskatchewan residents injured in crashes will receive the best injury benefits in the country.

KEY RECOMMENDATIONS

Rehabilitation limit:

- remove the $541,824 limit on medical and rehabilitation benefits, to ensure all medical and rehabilitation expenses are covered by the program for those seriously injured

Income replacement:

- for catastrophic injuries, such as severe brain or spinal cord injuries, increase the minimum annual income replacement benefit from minimum wage ($12,480) to the industrial average wage ($28,148) or actual income whichever is greater
- allow suing for actual and potential income loss in excess of PIPP benefits

Permanent impairment benefits:

- double the maximum benefit to approximately $270,000 (indexed), to provide more financial resources for those seriously injured in auto collisions
- adopt the Manitoba impairment schedule (which is more readable and less open to interpretation) to enhance fairness in benefit amounts paid

Death benefits:

- in addition to the minimum spousal death payment of $48,764, provide an additional death benefit for low and non-earners (e.g., homemakers) with dependants based on minimum wage
- increase funeral expenses from $5,419 to $7,500, to better reflect actual funeral expenses in most cases
- provide payment for grief, vocational and financial counselling for family members of the deceased

Appeal process:

- create an independent commission which reports to the Minister of Justice to make the process more independent of SGI and less adversarial

Other significant recommendations:

- allow lawsuits for acts of negligence caused by a third party, other than a driver/owner, in the case of catastrophic injuries and death
- allow recovery of benefits paid from any person criminally responsible for deliberately causing injuries

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